

**PUBLIC UTILITY DISTRICT NO. 1**  
***of Whatcom County***

1705 Trigg Road, Ferndale, WA 98248  
P: (360) 384-4288 • F: (360) 384-4849  
www.pudwhatcom.org

December 7, 2016

Contact: Steve Jilk, General Manager  
Ann Grimm, Administrative Assistant  
**Public Utility District No. 1 of Whatcom County**  
(360)384-4288 ext. 27

**NOTICE OF SPECIAL COMMISSION MEETING FOR  
PUBLIC UTILITY DISTRICT NO. 1 OF WHATCOM COUNTY**

Notice is hereby given that the Board of Commissioners of Public Utility District No. 1 of Whatcom County (District) will hold a Special Meeting on **Tuesday, December 20, 2016 at 8:00 AM** at the District Office located at 1705 Trigg Road, Ferndale.

The purpose of the Special Meeting will be to:

1. Conduct Commission business of the December 27, 2016 regular scheduled meeting date, which has been canceled. (Draft Agenda to be published December 13, 2016.)
2. Adjourn

This agenda is subject to changes. Action may be taken on the item(s) during discussion. The meeting is expected to last one (1) hour.

# DRAFT

2016 BOARD OF COMMISSIONERS  
*Michael J. Murphy, President*  
*Paul D. Kenner, Vice President*  
*Jeffrey L. McClure, Secretary*

## PUBLIC UTILITY DISTRICT No. 1 *of Whatcom County*

Agenda for the  
Regular Meeting of December 13, 2016  
8:00 a.m. at the PUD Office

1. Public Comment
2. Approval of Meeting Minutes held November 22, 2016
3. Approval of Claims for December 13, 2016
4. Amendment No. 1 to Professional Services Agreement for Geneva Consulting
5. Award Bid for Water Treatment Plant(s) Chemical Flocculant Supply
6. Amendment No. 1 to Professional Services Agreement for Performance Information Technologies
7. Amendment No. 1 to Professional Services Agreement for Integrity Safety Services
8. Approve 2017 Operating and Capital Budget and Rates:
  - Resolution No. 712 – Adopting District Budget for Calendar Year 2017
  - Resolution No. 713 – Adopting Raw Water Utility Rates and Grandview Water Rates for Calendar Year 2017
  - Resolution No. 714 – Adopting Electric Utility Rates for Calendar Year 2017
  - Resolution No. 715 – Adopting Grandview Potable Water and Fire System Connection Fees (General Facility Charges) for Calendar Year 2017
9. Manager's Report
10. Adjourn

### Next Commission Meetings

*\*December 20, 2016\* – Special Meeting (December 27 Regular Meeting canceled)*

*January 10, 2017 – Regular Meeting*

*All meetings begin at 8:00 a.m. at PUD Administration Office -  
1705 Trigg Road, Ferndale, WA unless other location announced.*

**PUD #1 of Whatcom County (360) 384-4288**

**MINUTES OF THE MEETING OF THE COMMISSION**

**November 22, 2016**

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:00 a.m. by Commissioner Mike Murphy. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Jeff McClure, Commissioner Paul Kenner and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Brian Walters, Director of Utility Operations; Annette Smith, Director of Finance; Duane Holden, Manager of Construction and Facilities; Jon Littlefield, Electric System Supervisor; Alec Strand, Project Manager; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Tech; Mike Macomber, IT/SCADA Tech; and, Lew Gaskill, Accountant I.

Public attending: Robin Dexter, Environmental Working Group  
 Rick Maricle, Citizen  
 Dave Olson, Citizen  
 Max and Carole Perry, Citizens  
 TJ Lee, Phillips66  
 Pat Pollock, BP Cherry Point

**Public Comment**

No comments made.

**Approval of the Meeting Minutes and Claims**

The Commissioners were presented with the Minutes of the Regular Meeting November 8, 2016, the Minutes of the Special Meeting held November 15, 2016, and the following Claims of November 22, 2016:

<b>VENDOR NAME</b>	<b>AMOUNT</b>
3-D CORPORATION	480.00
ALL SEASON SPRAYING	2,760.21
APPLIED DIGITAL IMAGING	95.80
BONNEVILLE POWER ADMINISTRATION	770,082.00
BRIDGEVIEW AUTO PARTS	35.08
CESCO NEW CONCEPT CHEMICAL PRODUCTS	134.40
COMCAST	115.96
CULLIGAN NORTHWEST	78.85
EDGE ANALYTICAL LABORATORIES	20.00
ELECTRIC POWER SYSTEMS - EPS	5,682.00
FASTENAL	43.38
FERNDALE ACE HARDWARE	13.24
FERNDALE LUBE	45.60
FERNDALE TRUE VALUE HARDWARE	7.60
GRIMM, ANN	345.56
HARDWARE SALES, INC.	258.29

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HD FOWLER CO, INC	835.42
INDUSTRIAL SUPPLY, INC	31.05
INTERNAL REVENUE SERVICE	13,237.32
MICHELS POWER	130,653.52
MURPHY, MICHAEL J	38.18
NORTH COAST ELECTRIC COMPANY	1,769.09
PACIFIC SURVEY & ENGINEERING	6,595.00
PAYLOCITY	125.40
PAYROLL	159,921.87
PLATT ELECTRIC SUPPLY CO	250.83
PORTAL WAY FARM & GARDEN	232.55
PUBLIC UTILITY RISK MANAGEMENT SERVICES	4,167.93
PUD #1 OF WHATCOM COUNTY	19.83
PUGET SOUND ENERGY, INC	716.52
PUMPTECH	3,063.55
RH2 ENGINEERING, INC	55,676.05
RICOH USA FINANCIAL SVC	152.18
RJM PRECISION INSTRUMENTS, LLC	8,855.77
SMITH, ANNETTE	254.66
SURETY PEST CONTROL	59.79
US BANK	2,809,465.77
WA FEDERAL VISA CARD MEMBER SERVICES	134.14
WA ST DEPT OF HEALTH	294.00
WA ST DEPT OF REVENUE	73,389.68
WA ST DEPT TRANSP-NW REGION	192.60
WASHINGTON WATER UTILITIES COUNCIL	250.00
WESTERN CONFERENCE OF TEAMSTERS	4,394.50
WESTERN ELECTRICITY COORDINATING C.	293.00
<b>GRAND TOTAL</b>	<b>\$4,055,268.17</b>

**ACTION:** Commissioner Kenner motioned to approve the MINUTES OF THE REGULAR MEETING HELD NOVEMBER 8, 2016, the MINUTES OF THE SPECIAL MEETING HELD NOVEMBER 15, 2016, and the CLAIMS OF NOVEMBER 22, 2016. Commissioner McClure second the motion. Motion passed unanimously.

**Approve Work Order No. 1 for Drought Contingency Planning – RH2 Engineering, Inc.**

Background: In September 2016, the Commission approved the Drought Contingency Planning (DCP) Agreement with The Bureau of Reclamation's (Reclamation) Drought Response Program. Work to be completed in the development of the Whatcom County Drought Contingency Plan is beneficial in identifying the needs and options for meeting those needs of water supply in times of drought. This DCP planning process is supported by local and state agencies and tribes and recognized as being work critical in support of water supply to all purveyors especially, but not limited to our agricultural economy.

# DRAFT

On October 25, 2016 the Commission approved the Professional Consulting Services Agreement with RH2 Engineering, Inc., to perform services related to the DCP Agreement. Work Order No. 1 was developed to detail the work that will be performed by RH2 and includes the following tasks:

- Task 1:** Assist the District in establishing the DCP Task Force: Reclamation requires that the District involve a diverse group of stakeholders to assist with the development of the Whatcom County DCP. The task force is expected to include (but not limited too) representatives of federal; state, tribal and local governments, industry, agriculture, public water systems, individual property owners, fisheries, forestry and recreation. Reclamation will also be a member of the Task Force.
- Task 2:** Develop a Detailed Work Plan: Working with the guidance of Reclamation and the (DCP) Task Force, a detailed Work Plan for the DCP will be developed.
- Task 3:** Prepare Draft Outline of DCP: Working with the guidance of Reclamation and the Task Force, a draft outline for the DCP will be developed.
- Task 4:** Identify and Develop Detailed Drought Mitigation Actions: Identify specific drought mitigation actions to reduce drought impacts and increase resiliency to drought impacts for inclusion in the DCP.
- Task 5:** Prepare Draft DCP: A draft DCP will be prepared for review by Reclamation, the District and the Task Force.
- Task 6:** Contingency Funding: Maintain the budget flexibility to address unanticipated issues and ideas during the DCP development process.

The costs for completion of tasks under the agreement with RH2 and under the Reclamation grant criteria is such that with each dollar billed to Reclamation there has to be a local match in real dollars or in in-kind services or out-of-pocket expenses as long as those match dollars are not federal.

PUD staff is working with local and state agencies and partners that are supporting this work to secure that match. Staff is recommending that the Commission approve and the District commit the first \$10,000 for the funding.

The DCP will be completed by September 30, 2018. A timeline will be developed with Reclamation input. The total not to exceed cost of Work Order No. 1 is \$174,601.00.

Additionally, work being completed by RH2 on other projects in Whatcom County may be used to meet some of the work identified in Task Four (4). The PUD is also applying for a state DOE grant identified as an opportunity to provide funds specifically for this type of work and could be used for matching funds.

In order to get the project up and going, as timing is important to align this work with other efforts moving along staff is requesting the Commission authorize the use PUD funds to provide the local match just to Task One (1) in an amount of \$10,000. There are sufficient funds remaining in our 2016 budget for that use.

Tasks 2-5 will progress as remaining matching funds/in kind resources are identified/obtained.

# DRAFT

**ACTION:** Commissioner McClure motioned to approve Work Order No. 1 with RH2 Engineering Inc. FOR PROFESSIONAL CONSULTING SERVICES RELATED TO THE BUREAU OF RECLAMATION'S DROUGHT CONTINGENCY PLANNING AGREEMENT and authorize the District's General Manager to execute the Agreement. Commissioner Kenner second the motion. Motion passed unanimously.

## **Second Draft 2017 Operating and Capital Budgets Update**

Annette Smith, Finance Director presented the second draft 2017 Budget. The first draft 2017 Budget was presented to the Commission on October 25 and customer meetings were held the week after. The Public Hearing notice was advertised in the Bellingham Herald as per legal requirements. Highlights of the second presentation of the draft 2017 budget include:

The figures have been updated with the October financials since the first draft presentation.

### **Capital Budget:**

Revenues help pay for capital improvement projects and the figures presented in today's capital budget project list are estimated from 2017 thru 2022. Total project costs for 2017 are estimated at \$6,092,000. The only changes to the Capital Budget are the updated/actual October financials.

### **Operating Needs (Costs) by Object**

By Fund:

Industrial Water .....	\$9,417,000
Grandview.....	\$385,000
<u>Electric .....</u>	<u>\$10,088,000</u>
2017 Total .....	\$19,890,000

The District is in the middle of the BPA rate structure and no increases will be seen until October 2017. As it was determined earlier that a majority of the District's Electricians' time is spent on industrial water projects besides directing other electric work. As such, a split in between Industrial Water and Electric in Electric Utility's overhead was needed and an adjustment in the General Services Charge and will have an effect on the water power costs. Changes to the On-call Services budget was made to reduce the Electric Utility's consulting cost by \$25,000.

<u>2016 Projected</u>	<u>\$18,161,930</u>
Difference (increase).....	\$1,728,070
Percent increase .....	9.5% (based on 2016 Projected)

### **Operating Budget – Personnel**

Three staff members will be retiring in 2017 and there will be additional retirement pay-out costs such as sick leave benefits. The total labor and benefits budget amount for 2017 is \$2.8 million. A slight increase in medical benefits for Teamsters was originally projected but there was no Teamsters rate increase for next year.

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# DRAFT

## Operating and Capital Reserves

<i>Operating</i>	<i>Industrial Water</i>	<i>Grandview</i>	<i>Electric</i>	<i>TOTAL</i>	<i>2016 TOTAL</i>
<b>TARGET MINIMUM BALANCE</b>					
60 Days Operating – No Extra Maint., No BPA Pass-through Benefit Cash-Out	\$740,029	\$25,558	\$121,072	\$886,660	\$866,977
	\$106,500		\$43,500	\$150,000	\$100,000
	<b>\$846,529</b>	<b>\$25,558</b>	<b>\$164,572</b>	<b>\$1,036,660</b>	<b>\$966,977</b>
<i>Capital</i>	<i>Industrial Water</i>	<i>Grandview</i>	<i>Electric</i>	<i>TOTAL</i>	<i>2016 TOTAL</i>
<b>MINIMUM CAPITAL BALANCE</b>					
1% of Plant Assets	\$439,737	\$32,582	\$178,610	\$650,929	\$ -
Customer Reduction	\$100,000	\$ -	\$ -	\$ 100,000	\$50,000
	<b>\$539,737</b>	<b>\$32,582</b>	<b>\$178,610</b>	<b>\$750,929</b>	<b>\$50,000</b>

### Employee Stats

- 21 FTE
- Average Years of Service: 15.1
- 3 Employees retiring in 2017
- Average Age of Employees: 55.5

### Industrial Water Stats

- 11 Industrial Customers and 35 Irrigation Customers
- Top 5 Customers provide 95.4% of revenue
- Next closest water PUD in sales has 15,000 connections (Whatcom \$8 million vs. Kitsap \$6 million)

Staff has also taken into consideration the composition of our customers (mainly industrial) and the issues concerning Cherry Point, and has bumped up the reserves.

## Industrial Water Rates

A new rate model is being used to determine industrial and irrigation water rates:

Unit Costs	2016 Rates	% Increase	2017 Rates	
<u>Cherry Point</u>				
Monthly Fixed Capital Charge	\$ 9,276.19	3.50%	\$ 9,600.86	per OIC unit
Monthly Fixed Operating Charge	\$ 11,718.67	6.00%	\$ 12,421.79	per OIO unit
Monthly Fixed Fire Charge	\$ 1,093.27	4.60%	\$ 1,143.56	per account
Monthly Fixed Potable Charge	\$ 75.00	0.00%	\$ 75.00	per account
Consumption Charge	\$ 365.51	2.41%	\$ 374.33	per MG
<u>Irrigation (separate increase)</u>				
Annual Fixed Charge	\$ 450.27	5.00%	\$ 472.78	per meter
Consumption Charge	\$ 1,017.00	5.00%	\$ 1,067.85	per MG

# DRAFT

Customer	QIC (MGD)	QIO (MGD)	Est Usage (MG)	Monthly Fixed Charges			Monthly Fixed	Annual Fixed \$	Annual Consumption	Annual Total \$	Previous Year	2017 % Increase
				Fixed Capital	Fixed Operating	Fixed Fire						
GPT - Gateway Pacific Terminal	5.33	0	0.00	\$ 51,173	\$ -	\$ -	\$ 51,173	\$ 614,071	\$ -	\$ 614,071	\$ 593,305	3.50%
BP - Cherry Point	18.27	12.6	2,734.57	175,408	156,515	-	331,922	3,983,066	1,023,634	5,006,700	4,805,089	4.20%
Phillips66	6	4	1,248.77	57,605	49,687	-	107,292	1,287,508	467,453	1,754,961	1,686,820	4.04%
Alcoa Intalco	2.8	1.8	395.84	26,882	22,359	1,144	50,385	604,622	148,176	752,798	722,607	4.18%
CHEMCO	0.02	0.01	0.39	192	124	1,144	1,460	17,518	144	17,662	16,893	4.55%
Petrogas	0.05	0.03	4.69	480	373	1,144	1,996	23,955	1,757	25,712	24,619	4.44%
PSE Whitehorn	0.29	0.04	0.38	2,784	497	1,144	4,425	53,096	141	53,237	51,163	4.05%
PSE Ferndale Generation Station	2.7	2.2	254.27	25,922	27,328	1,144	54,394	652,726	95,182	747,907	715,979	4.46%
Praxair	0.144	0.07	9.27	1,383	870	1,144	3,396	40,747	3,468	44,216	42,379	4.33%
BNSF	0	0	0.00	-	-	1,144	1,144	13,723	-	13,723	13,119	4.60%
Cornerstone Community Church	0	0	0.00	-	-	515	515	6,175	-	6,175	5,904	4.60%
Irrigation Totals			63.78	-	-	-	-	16,547	68,108	84,656	80,624	5.00%
Total			4,711.96					\$ 7,313,754	\$ 1,808,063	\$ 9,121,817	\$ 8,758,502	4.15%

## Grandview Rates

The rate structure for Grandview has changed and now includes a breakout of the fixed pieces – between the fixed meter rate and fixed fire (which is a flat rate).

Unit Costs	2016	2017	
Fixed Charge – per MCE	\$178.10	\$60.00	Per month
Fire Charge – per meter	\$ -	\$140.00	Per month
Volume Charge	\$8.95	\$9.79	Per ccf

## Electric Rates

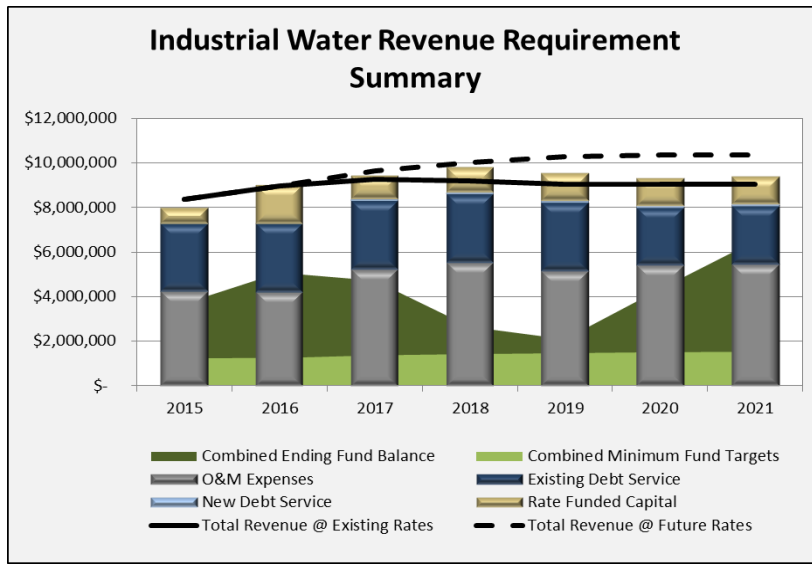
Smith indicated there will be a decrease for Phillips66, as the Cost of Service Analysis determines “who is charged for how much”. The administration piece of the Electric Utility is now allocated between Electric and Industrial Water. This breakout was not discussed in the first draft budget.

Cost of Service Analysis (COSA) Results	Pass-Thru	Electric	Water	TOTAL
Revenue Requirement	\$7,993,199	\$1,977,144	\$86,592	\$10,056,936
General Service Charge/month		\$164,762	\$7,216	\$171,978
Previous General Service Charge/month		\$169,303	-	\$169,303
% Growth		-3%		2%

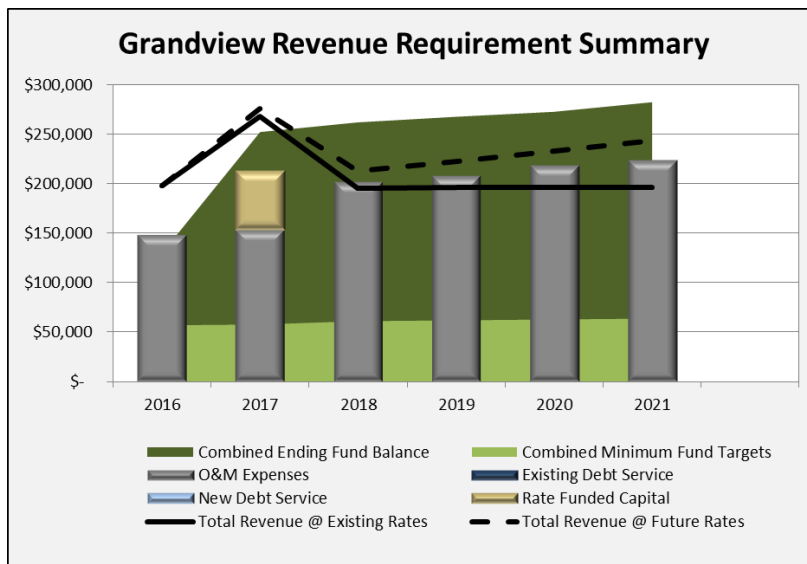
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**Forecast**

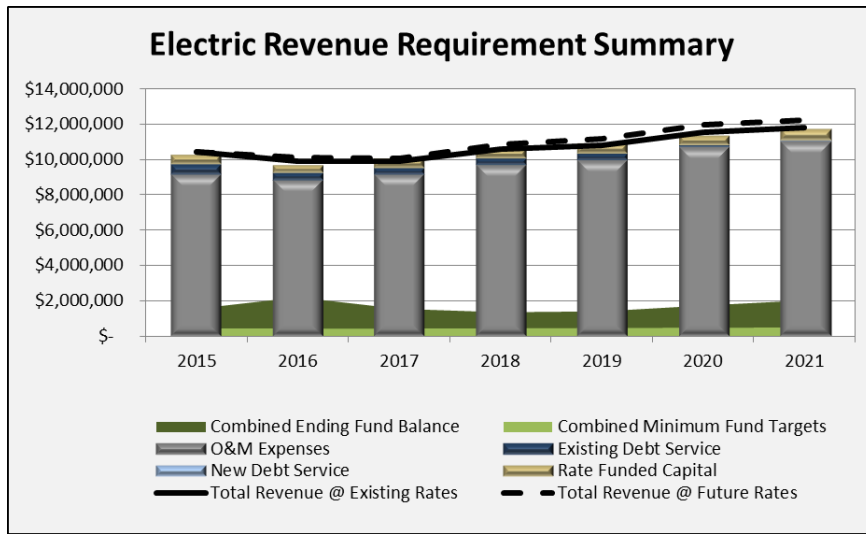


Small rate increases are planned through 2019 and then rates are flat.



Cash flow goes negative starting in 2022 based on current projections, however newly set fire system connection fees will come in during 2017. In 2016 the LUD bonds were refinanced and EDI financing/rate is yet to be determined for the water line extension project for Grandview.

# DRAFT



There will be a 1% rate increase for 2018 – 2019 in the General Services Charge and then rates are flat. The forecasted slight increase is a result of the BPA rate increases that are passed through to Phillips 66.

## What's Next

Final 2017 budget and rates approval is scheduled for Tuesday, December 13, 2016.

**ACTION:** No action requested. For information/discussion purposes only.

## **Budget Public Hearing**

Commissioner Murphy opened the Public Hearing for the budget at 8:29 a.m.

Pat Pollock from BP thought the staff did a great job on the budget. Regarding the industrial water rates and forecast, with a \$1 million gap, Pollock asked why the District hasn't looked at negative water rates and the \$25 million projected for water storage or other projects has been removed. Smith replied that instead of dropping rates, she prefers to keep rates flat and that in 2021, the District will bump up the reserve level, pending any new projects.

Robin Dexter asked what the "Extraordinary Maintenance Projects" are. Smith replied that these are fully anticipated, big ticket items (listed under Capital Projects) some of which include:

- Cleaning sediment from settling ponds
- High Head Pump Rebuild (annual maintenance project)
- Water Plant 1 Maintenance and Safety Upgrades

Dexter added that the District is entering into uncharted territory in its duties to the community. He doesn't think that the reserves can be too big and would like to see them larger. Customers can learn to appreciate the reserves if there is a real emergency.

Rick Maricle said that collecting reserves is a good thing; however, there should be a reason or funds should be earmarked or identified based on what the District is planning to do. "Effectively taxing to subsidize others instead of a pile of cash", are his thoughts. Smith responded that the District can spend money on rebuilds or increasing rates to build a higher reserve, however, there are restricted emergency reserves and financial guidelines/policies that the District adheres to. Sitkin added these policies can be revisited, and policies will drive future budget and rate setting.

# DRAFT

Jilk added that the District's Water System Master Plan will be completed soon and at that point, staff can figure how to balance financing for major projects. Issuing additional debt and the timing on customer contracts are also taken into consideration. The District listens to its customers and tries to make the best recommendation from their input.

## **Close of Public Hearing**

There being no further comments on the budget, Commissioner Murphy closed the public hearing at 8:40 a.m. and reconvened to the regular meeting.

Commissioner Murphy thanked District staff for their effort on the budgets.

## **Manager's Report**

### December Commission Meetings

Jilk reminded Commissioners that the two regular meetings scheduled in December are the 13<sup>th</sup> and 27<sup>th</sup>. Commissioners Kenner and McClure indicated that they will not be available for the second meeting date due to holiday schedules. As such, the second meeting will be moved up to December 20<sup>th</sup>.

### WPUDA Annual Conference

Sitkin will be attending the WPUDA annual attorney's meeting next week in Vancouver. Anticipated topics include water rights update, exempt wells/metering and IRS audits. He will report back at the next meeting.

## **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:13 a.m.

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President/Commissioner

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Secretary/Commissioner

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Commissioner

# PUBLIC UTILITY DISTRICT No.1

*of Whatcom County*

1705 Trigg Road • Ferndale, WA 98248

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## Memo

AGENDA ITEM # 4  
December 13, 2016

**To:** Commissioners Kenner, McClure and Murphy

**From:** Stephan Jilk, General Manager

**Date:** December 7, 2016

**Re:** Approve Amendment No. 1 to Professional Services Agreement with Geneva Consulting

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**Requested Action** – Approve AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT WITH GENEVA CONSULTING TO PROVIDE TECHNICAL SERVICES FOR THE DISTRICT REGARDING WHATCOM COUNTY WRIA 1 WATER SUPPLY PLANNING PROJECTS, and authorize the General Manager to sign the Agreement.

**Background** – The Commission approved the Agreement with Becky Peterson/Geneva Consulting on October 28, 2015 to provide technical services for the District regarding Whatcom County WRIA 1 water supply planning projects. The initial term of the Agreement expires on December 31, 2016.

District staff continues to require technical services for Whatcom County WRIA 1 water supply planning projects and staff would like the term of the Agreement to be extended.

Staff recommends approval of Amendment No. 1, which would extend the term of the Agreement through December 31, 2018.

Work will be performed under individual Task Orders as needed and approved by the District Commission or the General Manager.

**Fiscal Impact** – Amendment No. 1 has no fiscal impact to the District. Task Orders associated with the Agreement will have specific budgets.

**Recommended Action** – Approve AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT WITH BECKY PETERSON/GENEVA CONSULTING TO PROVIDE TECHNICAL SERVICES FOR THE DISTRICT REGARDING WHATCOM COUNTY WRIA 1 WATER SUPPLY PLANNING PROJECTS, and authorize the General Manager to sign the Agreement.

**AMMENDMENT NO. 1  
TO  
STANDARD AGREEMENT  
FOR  
PROFESSIONAL CONSULTING SERVICES**

This Amendment No.1 dated \_\_\_\_\_, 2016, is between the **PUBLIC UTILITY DISTRICT NO. 1 of WHATCOM COUNTY**, 1705 Trigg Road Ferndale, WA 98248, hereinafter called the "Whatcom PUD," and **BECKY PETERSON, GENEVA CONSULTING**, hereinafter called the "Consultant" having an address of 1020 Austin Street, Bellingham, WA 98226, and amends the parties' Agreement for Professional Consulting Services for the Public Utility District of Whatcom County dated October 28, 2015 ("Agreement").

Whatcom PUD and Consultant agree to amend and modify their Agreement as follows:

2. Time of Beginning and Completion of Performance. The term of this Agreement shall commence as of the date of the execution of the Agreement and shall extend until December 31, 2018, unless terminated earlier, as provided elsewhere in the Agreement.

IN WITNESS THEREOF, Whatcom PUD and the Consultant have executed this Amendment No. 1 as of the date first above written.

PUBLIC UTILITY DISTRICT NO. 1  
OF WHATCOM COUNTY

CONSULTANT

By \_\_\_\_\_

By \_\_\_\_\_

Stephan Jilk  
General Manager

Becky Peterson

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# PUBLIC UTILITY DISTRICT No.1

*of Whatcom County*

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# Memo

AGENDA ITEM # 5  
December 13, 2016

**To:** Commissioners Kenner, McClure and Murphy  
**From:** Brian Walters – Director of Utility Operations  
**Date:** December 13, 2016  
**Re:** Award Contract for PAC- Chemical Supply – 2017 to Waterhouse Environmental Services Corporation

**Requested Action** – Award the CONTRACT FOR PAC- CHEMICAL SUPPLY – 2017 TO WATERHOUSE ENVIRONMENTAL SERVICES CORPORATION and authorize the General Manager to execute the agreement.

**Background** – The bid opening for the PAC- Chemical Supply Contract for calendar year 2017 was held on Tuesday, November 29, 2016 at 10:00 a.m. The Request for Bid Proposals was advertised in the Bellingham Herald and bid packets were sent to the three companies, whose chemical flocculants had previously met the District water operations staff requirements. One bid package was received and it was deemed responsive.

The results of the bids are as follows:

Low Bidder:	<b>Waterhouse Environmental Services Corporation</b>	
	Enhanced Aluminum Chlorhydrate	No bid submitted
	Polyaluminum Chloride Coagulant	\$0.386 per lb

*Engineer's Estimate:*

Enhanced Aluminum Chlorhydrate .....	\$0.410 per lb
Poyaluminum Chloride Coagulant .....	\$0.430 per lb

Unit Prices include Washington State Sales Tax and Shipping; including all costs associated with the delivery of the material including, but not limited to, labor, taxes, insurance, fuel and/or fuel surcharge. Staff reviewed the unit prices; extensions and no math errors were made on the proposal. All submittals required for the proposal, non-collusion affidavit and addendum acknowledgement were completed as well as the inclusion of the product Material Safety Data Sheets.

Staff recommends awarding the Contract for PAC – Chemical Supply to Waterhouse Environmental Services Corporation as the lowest responsive Bidder.

**Fiscal Impact** – None, chemical supply is an operations expense included in the 2017 Budget.

**Recommended Action** – Award the CONTRACT FOR PAC- CHEMICAL SUPPLY – 2017 TO WATERHOUSE ENVIRONMENTAL SERVICES CORPORATION and authorize the General Manager to execute the agreement.